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Business

Euro's 11th hour

- Leading economists warn the future of single currency at stake
- Commission president rounds on Germany and France
- Merkel and Sarkozy reportedly close to deal

By Louise Armitstead and Bruno Waterfield

ANGELA Merkel and Nicolas Sarkozy held crisis talks in Berlin last night amid warnings that a failure to break the debt crisis deadlock within 24 hours would send shockwaves around the global economy. Officials said that both parties had reached a "joint position" on bailing out Greece.

The German chancellor and the French president had been deluged with pleas from political and financial leaders to reach agreement on a bail-out – or risk the collapse of the single currency. The leaders had been told that today's crucial summit in Brussels was the "last chance saloon" for the euro project.

Mr Sarkozy decided to travel to Berlin after the pair repeatedly failed to agree on how to get private bondholders to share the costs of a new €115bn (£101bn) bail-out for Greece.

Jose Manuel Barroso, the president of the European Commission, said: "Nobody should be under any illusion: the situation is very serious. It requires a response. Otherwise the negative consequences will be felt in all the corners of Europe and beyond."

In a rare outburst, Mr Barroso, accused the leaders of endangering "a strong single market and a strong euro".

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>
> JOSE MANUEL BARROSO
> COMMISSION PRESIDENT

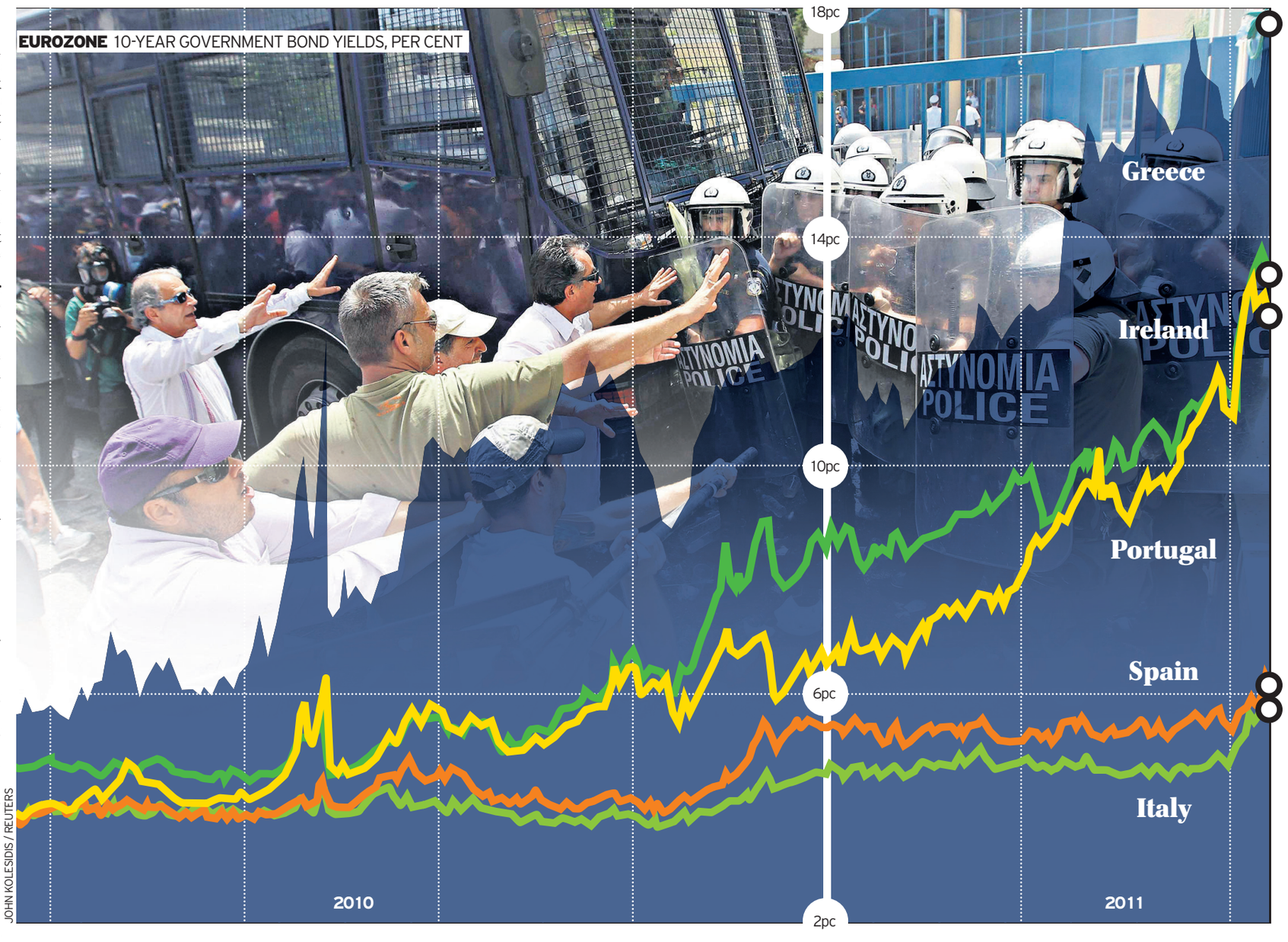
"That is what is at stake. That is why we must provide a solution tomorrow. I believe now is the time to decide," he said. "Leaders need to come to the table saying what they can do and what they want to do and what they will do. Not what they can't do and won't do."

Mr Barroso rounded on Germany, France and the European Central Bank (ECB), blaming them all for obstructing a deal on the "feasibility and limits" of private sector involvement in a second Greek bail-out. He criticised Germany for blocking "scope for more flexible action" through the European Financial Stability Facility (EFSF), France for holding up "repair of the banking sector" and the ECB for failing "to ensure the provision of liquidity to our banking system".

Jyrki Katainen, Finland's prime minister, said: "We are trying to avoid a total catastrophe, that is, Greece's insolvency which would most likely be highly contagious." Meanwhile, George Papandreou, the Greek prime minister, called the summit "a make-or-break moment."

Elsewhere, George Osborne, chancellor, urged eurozone leaders to "get a grip" on the sovereign debt crisis - warning that a failure to do so could result in another financial crisis.

Last night tensions over the European sovereign debt crisis reached fever pitch as:



JOHN KOLESIDIS / REUTERS

- A crucial meeting of "eurozone sherpas" – senior officials from all 17 finance ministries – was cancelled pending a possible agreement between Ms Merkel and Mr Sarkozy. The meeting, designed to thrash out details of a fresh Greek bail-out, has been pencilled in for this morning, before the summit begins at lunchtime.
- A group of leading economists wrote an open letter to European leaders warning: "For the first time, the very survival of the euro is at stake." The 12 economists, including Richard Portes from the London Business School, called for the expansion of the EFSF and for permission for the fund to operate in secondary bond markets. They said: "The important thing is to acknowledge that leaders are out of time. Deciding to not decide could mark the end of the Eurozone as we know it."
- Yields on lower-rated eurozone debt fell for the second day running in the hope that European leaders can agree a fresh bail-out for Greece's debt burden and find a way to prevent the crisis from spreading. One trader said: "It might be wishful thinking – but the alternative is unthinkable."

In an attempt to assuage the rising panic across Europe, Alain Juppe, the French foreign minister, said that Mr Sarkozy and Ms Merkel's meeting was a good sign and he was "sure we will find an accord". He insisted that "there is a very broad convergence of views" among eurozone countries. Steffen Seibert, the German government spokesman, said Ms Merkel and Mr Sarkozy knew the stakes were high. He said the pair were not intending to dictate terms to the other 15 eurozone countries, but admitted that "if France and Germany cannot agree, Europe does not move forward".

While Germany wants private bondholders to take a "haircut", France and the ECB are determined to avoid any credit event that could be seen as a default. The possible compromises, contained in a leaked document, include imposing a tax on eurozone banks; a vast debt swap in which investors would roll over their current bonds for new longer-term maturities; and an expansion of the EFSF.

The Telegraph

» Euro could face its 'splat moment' as Barroso breaks cover

» IMF: eurozone risks global contagion

» Angela Merkel: can she rescue the euro?

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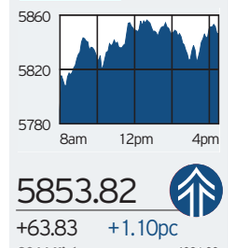
60 SECOND BRIEFING

MARKETS

FTSE 100



5853.82
+63.83 +1.10pc

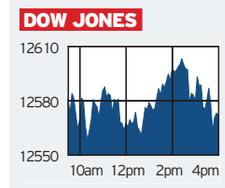
2011 High	6091.33	
2011 Low	5598.23	
Yield	3.14pc	-0.04
P/E ratio	11.11	+.12

The market headed into positive territory with financials leading the charge. Traders were continuing to take advantage of recent weakness in the sector. Technology stocks also shone.
MARKET REPORT B7 »

BIGGEST RISER
BARCLAYS BANK
222.6p
+11p (5pc)

BIGGEST FALLER
GLENCORE INT
482p
-6.3p (1pc)

DOW JONES



12571.91
-15.51 -0.12pc

US stock markets endured a mixed session of trading as a strong set of corporate earnings were offset by investor fears that US and European debt problems could spiral into another financial crisis.

OTHER MARKETS

FTSE 250	11701.48	+109.07
FTSE All-share	3048.05	+31.72
Yield	3.04	-0.03
FTSE Eurotop 100	2265.10	+29.97
Nikkei	10005.90	+116.18
DJ Eurostox50	2705.75	+48.30
S&P 500	1325.84	-0.89
Nasdaq	2814.23	-12.29

CURRENCIES

£/€	£/$
RATE 1.1369	RATE 1.1641
CHANGE -0.23c	CHANGE -0.26c

FULL LISTING B5 »

COMMODITIES

GOLD
$1590 (£986)
-11.75 -0.73pc

BRENT CRUDE
$118.15 Sept
+1.09 +0.92pc

FULL LISTING B3 »

Top US legal team for News execs

By Katherine Rushton

NEWS Corporation's nine independent directors have hired a former US attorney general as part of a heavyweight legal team to help them combat the lawsuits and investigations that are mounting against both the company and them as individuals.

Judge Michael Mukasey, who served under George W Bush, will work alongside Mary Jo White, a former director of the Nasdaq stock exchange and US Attorney for the highly regarded Southern District of New York.

Both are partners at law firm Debevoise & Plimpton and are regarded as two of the country's most formidable legal minds.

The independent directors, who are said to have had concerns about the way Rupert Murdoch has handled the phone hacking scandal, have also hired Mark Mendelsohn, a partner at Paul, Weiss, Rifkind, Wharton & Garrison, who previously worked at the Department of Justice where he specialised in bringing prosecutions under the Foreign Corrupt Practices Act (FCPA).

"The board want to protect themselves and doing that may come at the expense of Mr Murdoch," said Roland

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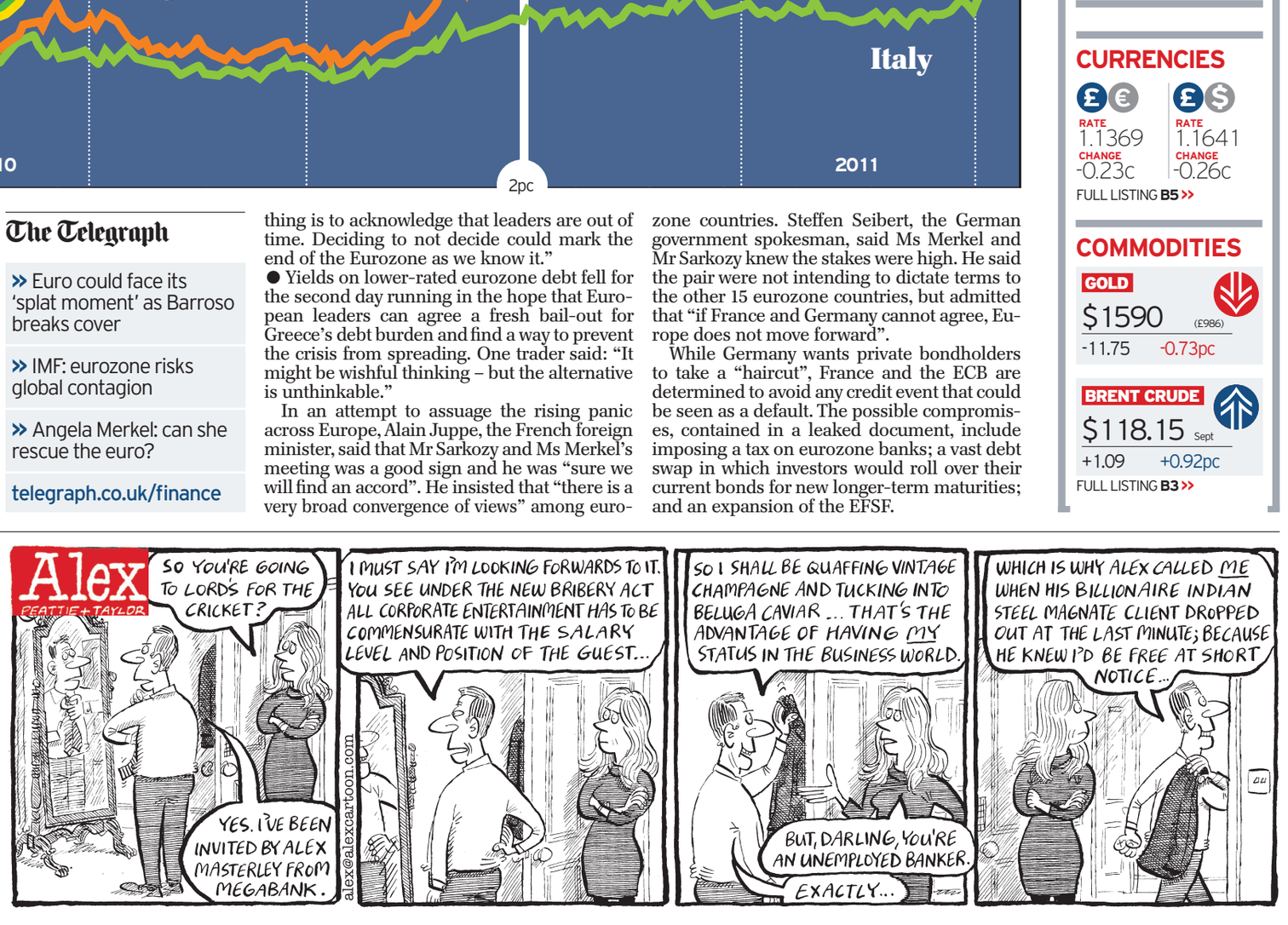

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